Southeastern Region Financial Managers Meeting





DHS's Single Audit Section DCF's Grants & Contracts Section

- Establish grants and contracts administration and audit policy for DHS & DCF funding
- Collect, review, and act on audit reports
- Provide training and technical assistance to agencies and their auditors

Today's Topics

- Key guidance and policies related to audits and contracts administration
- New resources
- DCF changes/differences from DHS
- Audits
- Audit waivers
- Upcoming revisions/resources/changes

Key Guidance

- Financial Management Manual (FMM)
- Allowable Cost Policy Manual (ACPM)
- Reviewing and Resolving Audits
- PAAG/SSAG and SSAG Appendix
- DCF is in the process of developing its own guidance. Use DHS manuals until DCF-specific guidance is released.

Financial Management Manual

- Referenced in State/County Contract
- Outlines basic business practices for administering DHS and DCF programs
- DCF is developing its own version. In the meantime, use the DHS version.
- Is available online at:

http://www.dhs.wisconsin.gov/grants/ Administration/FMM/FMMTOC.htm

Allowable Cost Policy Manual

- Provides guidance for charging costs to grants and contracts
- Incorporates federal cost principles by reference (OMB Circulars A-87, A-122, A-21 and 48 CFR Part 31), which provide much more detailed guidance
- Purpose is to ensure that programs bear their fair share
- DHS Manual contains general guidance while the DCF Manual is more DCF specific

ACPM Sections

- General Guidance
 - Necessary and reasonable
 - Cost allocations
 - Related party transactions
- Federal Cost Principles
 - OMB Circulars, etc.
- Specific Guidance
 - Audit expense
 - Bad debts
 - Advertising
 - Equipment

ACPM Sections

Specific Guidance

- Reserves major difference between DHS and DCF Manual
 - Per Wis Stat 46.036 for DHS funding, the accumulation and retention of reserves by any organization for which reserves are an allowable cost are limited to 5% of the revenue received under the contract for any particular contract period and 10% of the revenue received under the contract for the amount accumulated from all contract periods.
 - Per DCF Manual, the 5% annual limit is eliminated and the 10% cumulative limit may be waived on a case by case basis.

ACPM Suggestions

- Use the correct manual for your program(s)
- Be aware of contract requirements or limitations
- Refer to federal principles for further guidance
- Is available online
- When in doubt, ask first!

ACPM Online

For DHS-funded programs, the manual is Chapter B3 of FMM, also stand-alone for use with providers, available online at:

http://www.dhs.wisconsin.gov/grants/ Administration/AllowableCost/ACPM.htm

For DCF-funded programs, the manual is available online at:

http://dcf.wisconsin.gov/contractsgrants/pdf/allowable_cost_manual.pdf

Audits

- Audits of Counties
- Audits of Providers
- Waivers
- Mandate Relief Waivers
- Audits by DCF

County Audits

- Due on September 30th
- All counties need to have an A-133 audit
- SSAG and Appendix provide guidance
- Need to differentiate between DHS/DCF requirements

Common Findings

- Lack of segregation of duties
- Failure to appropriately monitor provider audits
- Non-compliance with laws or contracts
- Allowable cost issues

County's Audit Role

- Identify audit requirements for your providers
- Determine auditor qualifications
- Provide information auditors need to plan and perform audits
- Collect and review audit reports; act on audit findings

Identify Audit Requirements

- Based on level of funding
 - Less than \$25,000 no audit necessary, unless required by contract or law
 - \$25,000 \$500,000 Audit in accordance with PAAG
 (DCF) or DHS Audit Guide
 - Waiver is possible
 - Over \$500,000 in federal awards Audit in accordance with OMB Circular A-133 and SSAG (DCF) or A-133 and DHS Audit Guide
 - Applies if agency is nonprofit, state or local government
 - May be direct from the federal government or pass thru
 - Waiver is not possible

Provider Audit Requirement

- **\$25,000 \$500,000**
 - No distinction between federal or state funding
 - No distinction between funding that agency gets directly from dept or passed through another agency, such as a county
 - No distinction between vendor and subrecipient
 - Counties may obtain mandate relief waiver

Case by Case Waivers

- Waiver is possible for low risk situation, but no waiver for audits that are required under federal law or for audits of GHs and RCCs needed to support claims for federal funds
- Purchaser performs risk assessment to decide whether waiving the audit makes sense
- DCF & DHS Area Administration staff approve individual waivers involving dept funds

Mandate Relief Waivers

- Applied for through Department of Revenue
- Increases threshold limit from \$25,000 to either \$75,000 or \$100,000
- Effective 2011, agencies must request waivers or waiver renewals from both DCF & DHS
 - New requests cite both statutes in the request
 - Renewals request waiver from both agencies
- DHS waivers no longer cover DCF funding

State of Wisconsin Department of Revenue





Local Appeals for Exemption from State Mandates Criteria

| Co-Mun Code | Contact Person | 100 | | Title | Phone () |
|---|---|------------------------------|-----------------------|------------------------|--|
| Town | Village | City | County | Municipality | County |
| | | | | · - | <u> </u> |
| The Wiscons | n Department of | Revenue (D | OR) will use the fo | ollowing general crite | ria in evaluating s 66 0143 Local an |
| for exemption | from state mand | dates. DOR v | will request addition | nal information from | political subdivisions, as needed, to |
| for exemption | from state mand isions regarding | dates. DOR v | will request addition | nal information from | ria in evaluating s. 66.0143 Local ap political subdivisions, as needed, to vhich informational needs cannot b |
| for exemption informed dec anticipated in | from state mand isions regarding advance. | dates. DOR v unique circu | will request addition | nal information from | political subdivisions, as needed, to which informational needs cannot b |

3. Describe how the waiver will enhance the efficiency and effectiveness of municipal or county operations.

Audit Standards

- These standards are in three documents
 - State Single Audit Guidelines
 - Applies to DHS and DCF funding at counties and other local governments that need audits required by Federal Single Audit Act/OMB Circular A-133
 - SSAG DCF Appendix and DHS Audit Guide
 - Yearly update to be used in conjunction with SSAG.
 - Provider Agency Audit Guide
 - Applies to DCF funding for all other agencies that need to have audits - nonprofits, for profits, and those local governments that do not need federal audits

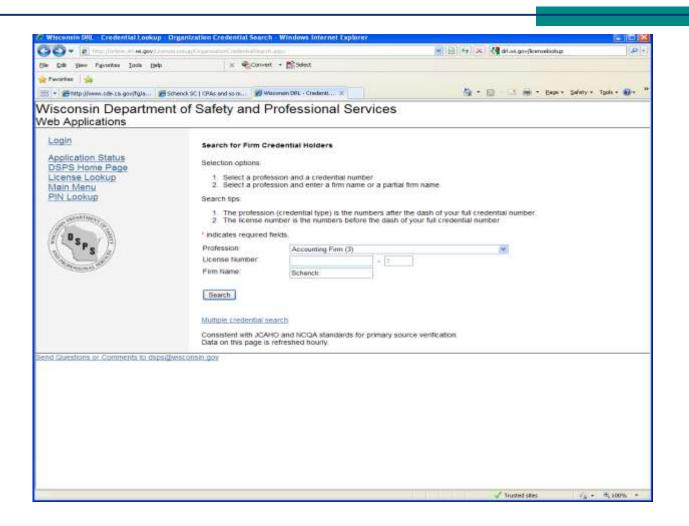
Identify Audit Requirements

- Audit might be a condition of license
 - Group Homes and Residential Care Centers that provide residential care for kids
- Audit might be a condition of contract
 - Contract might require audit even if federal or state law and regulations do not
- Audit is often good business practice and agency might have audit anyway

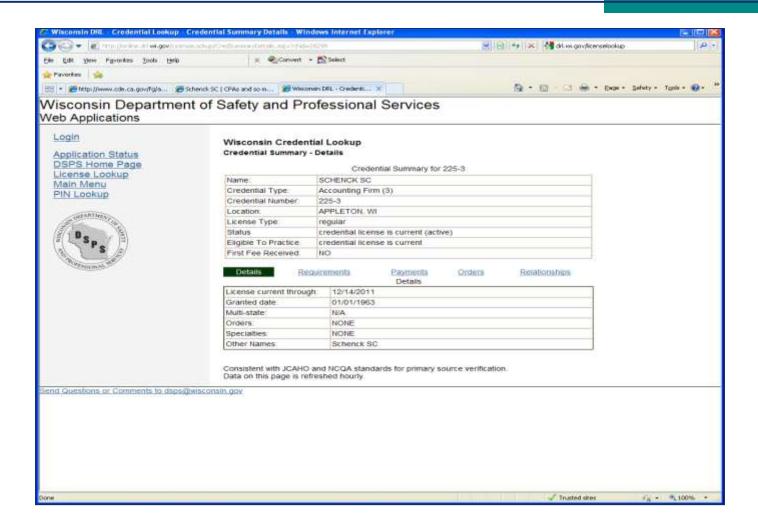
Determine Auditor Qualifications

- Certified Public Accountant licensed by State of Wisconsin
 - Look up license at the Dept of Safety and Professional Services's website (drl.wi.gov)
- Independent of agency
- Meet Yellow Book standards
- Must have had a peer review in the last 3 three years
 - Make sure it is a positive review a rating of "pass"
 - You can request a copy of the peer review report, and auditor must provide it to you

To Verify a License



Verification Results



Provide Information to Auditors

- Why?
 - Necessary to form an opinion on the financial statements
- County as the auditee
 - Auditors may obtain evidence using various techniques: Observation, Confirmation, Calculation, Analysis, Inquiry, Inspection, Comparison
- County as the purchaser
 - Auditors may request
 - Contracts
 - Confirmations (Outside, third-party documentation is the most reliable)
 - Source of funding, and identifying number

Provide Information to Auditors

- Confirmation from the Purchaser
 - Provides evidence in determining whether OMB Circular A-133 applies
 - Provides evidence supporting the auditee's identification of federal awards expended under a grant
 - Provides evidence of the amount of revenue that should appear in the financial statements and schedule of federal and state awards

Collect and Review Audit Reports

- Have a tracking system that captures:
 - Audits expected
 - Waivers granted
 - Agency info
 - Type of audit required
 - Auditor info
 - Date audit was submitted
 - Efforts to collect reports
 - Extensions granted
 - Is package complete?
 - Concerns
 - Resolution of findings
 - Follow-up

- Use a method that works for you
 - Excel spreadsheet
 - Database
 - Paper form
- County auditors will review this

Collect and Review Audit Reports

- Perform desk review
 - Does report reflect applicable standards?
 - Is the agency in good financial condition?
 - Does the report show issues affecting your programs?
 - If yes, how will you resolve those issues?
- For additional guidance, see Ch. 4 of the Provider Agency Audit Guide and "Reviewing and Resolving Audit Reports"

Common Findings/Issues

- Lack of segregation of duties
- Non-compliance with laws, regulations or program requirements
- Allowable cost issues
- Excess reserves
- Going concern issues
- Related party transactions

Act on Audit Findings

Options Available

- Do nothing, i.e. issue is inconsequential
- Require agency to repay inappropriately used funds
- Accept agency's corrective action plan
- Require a more detailed corrective action plan
- Withhold money to encourage corrective action
- Increase monitoring, including going on-site
- Require additional reporting
- Provide technical assistance
- Clarify program requirements/instructions

Audit Reports to DCF & DHS

■ We encourage electronic submission

DCFAuditors@wisconsin.gov

DHSAuditors@wisconsin.gov

Hard copies of reports can be mailed to:

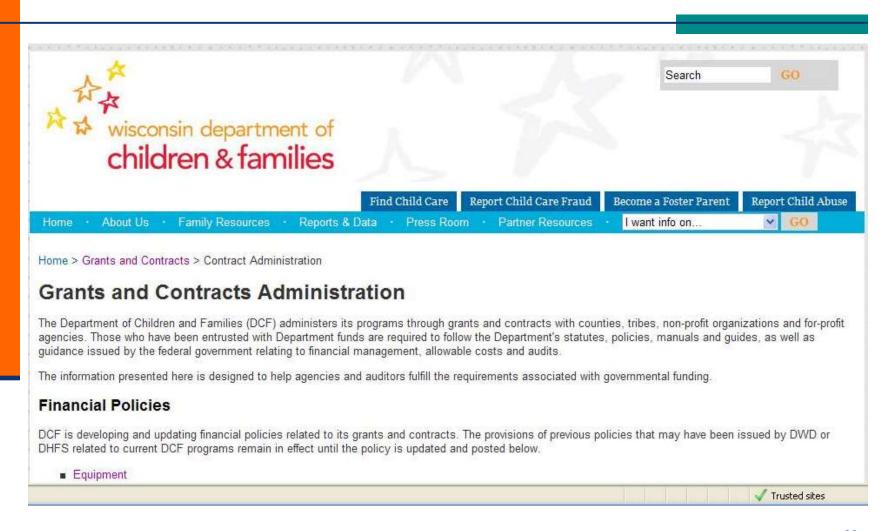
DCF Auditors
Department of Children & Families
PO. Box 8916
Madison, WI 53708-8916

DHS Auditors
Department of Health Services
P.O. Box 7850
Madison, WI 53707-7850

What Lies Ahead?

- Manual Revisions
 - Financial Management Manual
 - Reviewing and Resolving Audit Reports
- DCF On-site Audits
 - Counties and providers
- Electronic Contracts
 - http://dcf.wisconsin.gov/contractsgrants/default.htm

Web Resources



Web Resources













Search DHS

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About DHS Topics A - Z Programs & Services Partners & Providers Reference Center

Administering & Auditing Government Funding

Department Audit Requirements

Grants Home

Federal Audit Requirements

Allowable Cost

Policy & Guidance Publications

- ACPM

- FMM

SSAG

- DHS Audit Guide & PAAG The Department of Health Services (DHS) contracts with counties, tribes, school districts, boards, and a number of non-profit organizations for the administration of the department's programs. These contracts require these agencies to follow the department's administration and auditing requirements in the Financial Management Manual. Audits of these agencies and department programs are to be conducted by certified public accountants and accounting firms in accordance with federal and state audit requirements.

This web site provides information for agencies and auditors on DHS requirements for administering and auditing government funding.

Contract Administration

- · Financial Management Manual
- · Grant Administration Requirements
- Allowable Cost
- Other Contract Administration Resources

Auditing Government Funding

Department Audit Requirements

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Contact Information

Barbara Loescher
Bureau of Finance
Grants & Contracts Section
Dept. Children & Families
P.O. Box 8916
201 E. Washington, Rm A200
Madison, WI 53708-8916

608-264-6992 Barbara.Loescher@wisconsin.gov Tanya Genung
Single Audit Section
Division of Enterprise Services
Dept. of Health Services
P.O. Box 7850
1 West Wilson Street, Room 7
Madison, WI 53707-7850

608-266-7107 Tanya.Genung@wisconsin.gov

Websites:

www.dcf.wisconsin.gov/contractsgrants/contract_administration

www.dhs.wisconsin.gov/grants/

Questions???

Thank You!!!